

DOROTHY BRAMLAGE PUBLIC LIBRARY

Junction City, Kansas

FINANCIAL STATEMENT

AND

INDEPENDENT AUDITOR'S REPORT

For the Year Ended December 31, 2017

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

DOROTHY BRAMLAGE PUBLIC LIBRARY

Junction City, Kansas

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As of December 31, 2017

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May 9, 2018

To the Board of Trustees of the
Dorothy Bramlage Public Library
Junction City, Kansas

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying fund summary statement of receipts, expenditures, and unencumbered cash - regulatory basis of the Dorothy Bramlage Public Library (Library), a municipality, as of and for the year ended December 31, 2017 and the related notes to the financial statement, which collectively comprise the Library's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statement, the financial statement is prepared by the Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

May 9, 2018
Dorothy Bramlage Public Library
(continued)

Adverse Opinion on U.S. Generally Accepted Accounting Principles

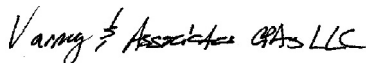
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library, as of December 31, 2017, or the changes in its financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Library, as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures - actual and budget, and regulatory basis receipts and expenditures - actual (regulatory required supplementary schedules as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



Certified Public Accountants
Manhattan, Kansas

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2017

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	<u>\$ 854,692</u>	<u>\$ 958,207</u>	<u>\$ 976,050</u>	<u>\$ 836,849</u>	<u>\$ 2,119</u>	<u>\$ 838,968</u>
Special Purpose Funds						
Capital Improvement Fund	98,512	10,253	56,899	51,866	-	51,866
Trust Fund						
Endowment Fund	<u>160,000</u>	<u>1,361</u>	<u>1,361</u>	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total Reporting Entity	<u><u>\$ 1,113,204</u></u>	<u><u>\$ 969,821</u></u>	<u><u>\$ 1,034,310</u></u>	<u><u>\$ 1,048,715</u></u>	<u><u>\$ 2,119</u></u>	<u><u>\$ 1,050,834</u></u>
Composition of Cash						
Checking Accounts						\$ 638,690
Money Market Accounts						51,866
Certificates of Deposits						<u>360,278</u>
Total Reporting Entity						<u><u>\$ 1,050,834</u></u>

The accompanying notes are an integral part of these financial statements.
See Independent Auditor's Report.

Financial Statement

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2017

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Dorothy Bramlage Public Library (Library), a municipality, was organized under the provisions of K.S.A. 12-1219. A seven-member committee approved by the Mayor of Junction City governs the Library. The Library was organized to provide services for the public as outlined by its charter. The Library is financially dependent on funding received from the City of Junction City, Geary County and the State of Kansas.

The accounting and reporting policies of the Library relating to the funds and account groups included in the accompanying financial statement conform to the regulatory basis of accounting to show compliance with the cash basis laws of the State of Kansas. The more significant accounting policies of the Library are described below.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Library:

General Fund - is the chief operating fund of the Library. This fund is used to account for all financial resources not accounted for in other funds.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Trust fund – funds used to report assets held in trust for the benefit of the municipality (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality, scholarship funds, etc.).

Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Library has approved a resolution that is in compliance with K.S.A 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

Budgetary Control

The Library Charter establishes the fiscal year as the twelve-month period beginning January 1. The Library board prepares a budget of estimated cash receipts and expenditures for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas Statutes do not require the Library to prepare or submit a legal budget.

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Compliance with Financial-Related Legal and Contractual Provisions

Management is not aware of any material violations of finance-related legal and contractual provisions for the period covered by the audit.

Date of Management's Review

The Library's management has evaluated subsequent events through May 9, 2018, the date the financial statement was available to be issued.

Note 2: Cash Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library has no designated "peak periods". All deposits were legally secured at December 31, 2017.

At December 31, 2017 the Library's carrying amount of deposits was \$1,050,834 and the bank balance was \$1,082,633. The bank balance was held by six banks, with all banks except one being fully FDIC insured. The remaining bank has a total bank balance of \$730,850. Of that balance, \$250,000 is FDIC insured, the remaining \$480,850 is covered by pledged securities with a market value totaling \$961,386.

Note 3: Interfund Transfers

The Library made the following operating transfers during 2017.

<u>Fund From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General	Capital Improvement	K.S.A. 12-1258	\$ 10,000
Endowment	General	K.S.A. 12-1225(h)	1,361

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2017

Note 4: Nonexpendable Trust

The Library's nonexpendable trust, which consisted of the following at December 31, 2017:

George Smith Library Trust \$160,000.

The George Smith Library Trust was established from the proceeds of sale of the George Smith Public Library building. A trust agreement dated January 9, 1984, between the Board of Directors of the Dorothy Bramlage Public Library and the City of Junction City created a trust for the purpose of holding and investing the proceeds from the sale of the former library building. The income or interest earned from the investment of the principal of the trust shall be used and applied to and for the operation, maintenance or improvement of the Dorothy Bramlage Public Library, any addition thereto, or for similar purposes with respect to any successor public library or libraries. The principal of the trust estate may not be diminished, dissipated or invaded in any way for a period of thirty (30) years beginning January 9, 1984. The Board of Directors of Dorothy Bramlage Public Library is the Trustee.

The aforementioned George Smith Library trust funds are invested in certificates of deposit at local financial institutions at December 31, 2017.

Note 5: Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance premiums are paid for property and liability insurance coverage. There have not been any settled claims resulting from these risks in any of the past three fiscal years.

Note 6: Defined Benefit Pension Plan

Plan description. The Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for the fiscal year ended December 31, 2017. Contributions to the pension plan from the Library were \$47,317 for the year ended December 31, 2017.

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2017

Note 6: Defined Benefit Pension Plan (Continued)

Net Pension Liability

At December 31, 2017, the Library's proportionate share of the collective net pension liability reported by KPERS was \$443,575. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The Library's proportion of the net pension liability was based on the ratio of the Library's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 7: Other Long-term Obligations from Operations

Compensated Absences

The Library's policy allows employees to accumulate vacation and sick leave as follows:

Vacation Time

Employees	Years of Service	Accrual/Month	Maximum Accrual
Full-time	1-10	6.67 hours	240 hours
	Over 10	Additional .67 hrs per yr of service	240 hours
Part-time > 24 hrs/wk	1-10	5.0 hours	180 hours
	Over 10	Additional 5.0 hrs/mo per year of service	180 hours

Upon termination of employment, an employee in good standing will be paid for unused vacation up to 240 hours.

Sick leave is accrued at a rate of 8.0 hours per month for full-time employees and 4.0 hours per month for part-time employees. The maximum accrual is 480 hours for full-time employees and 360 hours for part-time employees. Sick leave accumulated is not paid to employees upon termination of employment.

The Library has estimated the dollar amount of accumulated vacation for all employees at December 31, 2017 of \$29,270. This is an increase of \$1,091 from the prior year.

The only estimate in this financial statement is in the calculation of the compensated absences balance. Actual results could differ from this estimate.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Library under this program.

DOROTHY BRAMLAGE PUBLIC LIBRARY
Junction City, Kansas
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2017

Note 8: Related Party Transactions

The Library is a related municipal entity of the City of Junction City, Kansas. Rent is not calculated as an arm's-length transaction since the City provides the Library facility rent-free. The lease agreement requires the Library to cover the operating expenses such as utilities, insurance and maintenance of the building and grounds including the sidewalks, lawn and landscaping. The City owns and maintains the parking lot.

Note 9: Building Endowment

In 2011, the Library contributed \$30,000, which it received in 2011 from a Trust, to the Friends of the Library in order to create an endowment for future building improvements. The endowment was established under the umbrella of the Friends of the Library and their IRC 501(c)3 designation and has been placed in a certificate of deposit at a local financial institution.

Note 10: Capital Campaign Agreement

On August 9, 2017, the Library entered into a consultation agreement with a professional fundraising consultant to create a capital campaign for renovation and expansion of the Library facility. This agreement requires a fee commitment of \$100,000 and expense reimbursement commitment of \$5,000 to be incurred from August 2017 through August 2018. As of December 31, 2017, the Library remitted payments totaling \$45,853 and there remains \$54,147 of cost commitments which are expected to be incurred during 2018.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

DOROTHY BRAMLAGE PUBLIC LIBRARY

Junction City, Kansas

GENERAL FUND**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS**

For the Year Ended December 31, 2017

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2016)

	<u>2016</u>	<u>2017</u>		<u>Variance</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
RECEIPTS				
City and county tax distributions	\$ 835,000	\$ 865,000	\$ 865,000	\$ -
Gifts, grants, and miscellaneous	88,821	80,001	63,445	16,556
Interest	1,505	11,845	500	11,345
Transfer from Endowment Fund	1,051	1,361	1,075	286
Total Receipts	<u>\$ 926,377</u>	<u>\$ 958,207</u>	<u>\$ 930,020</u>	<u>\$ 28,187</u>
EXPENDITURES				
Acquisitions	\$ 136,742	\$ 112,750	\$ 118,602	\$ (5,852)
Buildings and grounds	64,766	72,912	65,100	7,812
Employees	696,093	703,234	730,338	(27,104)
Operations	69,528	77,154	72,358	4,796
Transfer to Capital Improvement	10,000	10,000	10,000	-
Total Expenditures	<u>\$ 977,129</u>	<u>\$ 976,050</u>	<u>\$ 996,398</u>	<u>\$ (20,348)</u>
Receipts over (Under) Expenditures	<u>\$ (50,752)</u>	<u>\$ (17,843)</u>		
Unencumbered Cash - January 1	<u>905,444</u>	<u>854,692</u>		
Unencumbered Cash - December 31	<u><u>\$ 854,692</u></u>	<u><u>\$ 836,849</u></u>		

Supplemental Information

DOROTHY BRAMLAGE PUBLIC LIBRARY
 Junction City, Kansas
CAPITAL IMPROVEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
 For the Year Ended December 31, 2017
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2016)

	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
RECEIPTS		
Transfer from General Fund	\$ 10,000	\$ 10,000
Interest	338	253
Total Receipts	<u>\$ 10,338</u>	<u>\$ 10,253</u>
EXPENDITURES		
Capital outlay	<u>\$ 37,989</u>	<u>\$ 56,899</u>
Receipts over (Under) Expenditures	\$ (27,651)	\$ (46,646)
Unencumbered Cash - January 1	<u>126,163</u>	<u>98,512</u>
Unencumbered Cash - December 31	<u><u>\$ 98,512</u></u>	<u><u>\$ 51,866</u></u>

Supplemental Information

DOROTHY BRAMLAGE PUBLIC LIBRARY

Junction City, Kansas

Endowment Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

For the Year Ended December 31, 2017

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2016)

	<u>2016</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
RECEIPTS		
Use of money and property	\$ 1,051	\$ 1,361
EXPENDITURES		
Transfer to General Fund	\$ 1,051	\$ 1,361
Receipts over (Under) Expenditures	\$ -	\$ -
Unencumbered Cash - January 1	<u>160,000</u>	<u>160,000</u>
Unencumbered Cash - December 31	<u>\$ 160,000</u>	<u>\$ 160,000</u>

Supplemental Information